

Financial Statements of

THE BELFRY THEATRE SOCIETY

And Independent Auditors' Report thereon

Year ended June 30, 2021



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INDEPENDENT AUDITORS' REPORT

To the Directors of The Belfry Theatre Society

Opinion

We have audited the financial statements of The Belfry Theatre Society (the Entity), which comprise:

- the statement of financial position as at June 30, 2021
- the statement of operations and changes in fund balances for the thirteen month period then ended
- the statement of cash flows for the thirteen month period then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at June 30, 2021 and its results of operations and its cash flows for the thirteen month period then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.



In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with Governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation



- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

As required by the Societies Act (British Columbia), we report that, in our opinion, the accounting policies applied in preparing and presenting financial statements in accordance with applicable financial reporting framework have been applied on a basis consistent with that of the preceding period.

KPMG LLP

Chartered Professional Accountants

Victoria, Canada

August 26, 2021

THE BELFRY THEATRE SOCIETY

Statement of Financial Position

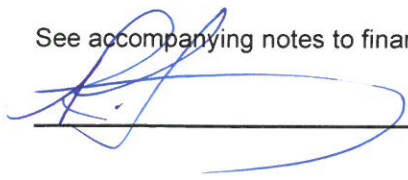
June 30, 2021, with comparative information for May 31, 2020

	Operating Fund	Capital Fund	Total June 30, 2021	Total May 31, 2020
Assets				
Current assets:				
Cash and cash equivalents (note 2)	\$ 1,123,778	\$ -	\$ 1,123,778	\$ 726,365
Accounts receivable	58,883	-	58,883	41,356
Prepaid expenses and deposits	48,220	-	48,220	10,527
Interfund accounts	(305,211)	305,211	-	-
	925,670	305,211	1,230,881	778,248
Capital assets (note 3)	-	3,279,015	3,279,015	3,132,641
	\$ 925,670	\$ 3,584,226	\$ 4,509,896	\$ 3,910,889

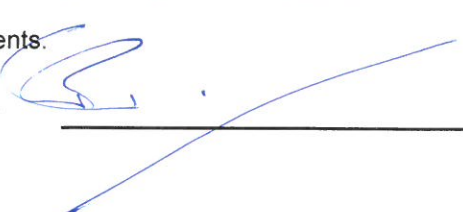
Liabilities and Fund Balances

Current liabilities:				
Accounts payable and accrued liabilities (note 4)	\$ 97,592	\$ -	\$ 97,592	\$ 29,346
Deferred revenue	449,520	-	449,520	342,254
	547,112	-	547,112	371,600
Canada Emergency Business Account loan	40,000	-	40,000	-
Deferred contributions (note 5)	-	1,224,432	1,224,432	1,056,022
Fund balances:				
Unrestricted	(107,476)	2,359,794	2,252,318	2,040,108
Internally Restricted - Artistic (note 6)	125,063	-	125,063	124,362
Internally Restricted - Capital (note 6)	320,971	-	320,971	318,797
	338,558	2,359,794	2,698,352	2,483,267
	\$ 925,670	\$ 3,584,226	\$ 4,509,896	\$ 3,910,889

See accompanying notes to financial statements.



Director



Director

THE BELFRY THEATRE SOCIETY

Statement of Operations and Changes in Fund Balances

Thirteen months ended June 30, 2021, with comparative information for twelve months ended May 31, 2020

	Operating Fund	Capital Fund	Total June 30, 2021	Total May 31, 2020
Revenue:				
Earned revenues	\$ 102,483	\$ -	\$ 102,483	\$ 853,418
Public funding (note 7)	1,722,095	-	1,722,095	1,105,279
Private fundraising (note 8)	410,614	-	410,614	698,562
GST recovery	1,677	-	1,677	8,640
Interest income	2,875	-	2,875	13,724
Amortization of deferred contributions (note 5)	-	52,066	52,066	38,017
	2,239,744	52,066	2,291,810	2,717,640
Expenses:				
Creative and production expenses	572,654	-	572,654	947,521
Marketing, communications and audience engagement	210,183	-	210,183	443,466
Artistic and production overheads	385,090	-	385,090	378,877
Box office, bar and concession	156,618	-	156,618	236,841
Administration	297,284	-	297,284	282,527
Fundraising	166,593	-	166,593	170,053
Facility	167,777	-	167,777	144,014
Company management	32,046	-	32,046	45,418
Equipment rental	1,242	-	1,242	1,218
Amortization of capital assets	-	148,286	148,286	126,431
	1,989,487	148,286	2,137,773	2,776,366
Earnings (deficiency) before the undernoted	250,257	(96,220)	154,037	(58,726)
Other income:				
Bequests	61,048	-	61,048	211,101
Excess (deficiency) of revenue over expenses	311,305	(96,220)	215,085	152,375
Fund balances, beginning of period	101,437	2,381,830	2,483,267	2,330,892
Transfer for capital asset purchases	(74,184)	74,184	-	-
Fund balances, end of period	\$ 338,558	\$ 2,359,794	\$ 2,698,352	\$ 2,483,267

See accompanying notes to financial statements.

THE BELFRY THEATRE SOCIETY

Statement of Cash Flows

Thirteen months ended June 30, 2021, with comparative information for twelve months ended May 31, 2020

	June 30, 2021	May 31, 2020
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses	\$ 215,085	\$ 152,375
Items not involving cash:		
Amortization of capital assets	148,286	126,431
Amortization of deferred contributions	(52,066)	(38,017)
Recognition of forgivable loan	(20,000)	-
	291,305	240,789
Changes in non-cash operating working capital:		
Increase in accounts receivable	(17,527)	(6,369)
(Increase) decrease in prepaid expenses and deposits	(37,693)	51,157
Increase (decrease) in accounts payable and accrued liabilities	68,247	(60,322)
Increase in deferred revenue	107,265	257,750
Decrease in prepaid season tickets	-	(447,928)
	411,597	35,077
Financing:		
Increase in deferred capital contributions	220,476	13,817
Canada Emergency Business Account loan	60,000	-
	280,476	13,817
Investing:		
Additions to capital assets	(294,660)	(10,340)
Increase in cash and cash equivalents	397,413	38,554
Cash and cash equivalents, beginning of period	726,365	687,811
Cash and cash equivalents, end of period	\$ 1,123,778	\$ 726,365

See accompanying notes to financial statements.

THE BELFRY THEATRE SOCIETY

Notes to Financial Statements

Thirteen months ended June 30, 2021

Nature of operations:

The Belfry Theatre Society (the "Society") is a registered charitable organization and is exempt from income taxes under the provisions of the Income Tax Act. On November 28, 2016, the new Societies Act (British Columbia) became effective. On October 3, 2018, the Society transitioned to the new act.

The Society presents theatrical productions from its own theatre at 1291 Gladstone Avenue, Victoria, British Columbia to audiences in the Greater Victoria area.

In fiscal 2021, the Society changed its year end from May 31 to June 30. These financial statements reflect a thirteen month reporting period compared to a twelve month reporting in the previous fiscal period ending May 31, 2020.

1. Significant accounting policies:

These financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

(a) Fund accounting:

Revenues and expenses related to program delivery and administrative activities are reported in the Operating Fund.

The Capital Fund reports the assets, liabilities, revenues and expenses related to the property and equipment.

(b) Revenue recognition:

The Society follows the deferral method of accounting for contributions, which include grants and donations. Restricted contributions are recognized as revenue in the year in which the related expenditures are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Ticket receipts are recorded as revenue in the year to which they apply. Prepaid season tickets reflect amounts received by the Society for performances subsequent to the Society's year-end.

(c) Cash and cash equivalents:

Cash and cash equivalents include term deposits with a term to maturity of 90 days or less at acquisition.

THE BELFRY THEATRE SOCIETY

Notes to Financial Statements (continued)

Thirteen months ended June 30, 2021

1. Significant accounting policies (continued):

(d) Deferred revenue:

Deferred revenue reflects restricted contributions received in the current period that relate to activities that will be performed in the subsequent period.

(e) Capital assets:

Capital assets are recorded at cost. The Society provides for amortization using the straight-line method at rates designed to amortize the cost of the capital assets over their estimated useful lives. The annual amortization rates are as follows:

Asset	Basis	Rate
Building	Straight-line	40 - 60 years
Equipment	Straight-line	10 years
Building amenities	Straight-line	25 years
Computers	Straight-line	7 years

The carrying amount of an item of capital assets is tested for recoverability whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized when the asset's carrying amount is not recoverable and exceeds its fair value.

(f) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Investments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

THE BELFRY THEATRE SOCIETY

Notes to Financial Statements (continued)

Thirteen months ended June 30, 2021

1. Significant accounting policies (continued):

(f) Financial instruments (continued):

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Society determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Society expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future year, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(g) Use of estimates:

The preparation of the financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the carrying amount and estimated useful lives of capital assets. Actual results could differ from those estimates.

(h) Donated materials and services:

Receipt of contributions of materials and services is recognized as revenue when these materials and services are used in the normal course of business and would otherwise have been purchased.

2. Cash and cash equivalents:

Included within cash and cash equivalents are gaming funds of \$90,468 (2020 - \$420) held as restricted cash.

THE BELFRY THEATRE SOCIETY

Notes to Financial Statements (continued)

Thirteen months ended June 30, 2021

3. Capital assets:

			June 30, 2021
	Cost	Accumulated amortization	Net book value
Land	\$ 39,980	\$ -	\$ 39,980
Building	4,536,294	1,854,771	2,681,523
Equipment	265,529	116,703	148,826
Building amenities	510,858	132,683	378,175
Computer	77,657	47,146	30,511
	<u>\$ 5,430,318</u>	<u>\$ 2,151,303</u>	<u>\$ 3,279,015</u>

			May 31, 2020
	Cost	Accumulated amortization	Net book value
Land	\$ 39,980	\$ -	\$ 39,980
Building	4,536,294	1,798,460	2,737,834
Equipment	225,641	93,121	132,520
Building amenities	264,022	72,155	191,867
Computer	69,720	39,280	30,440
	<u>\$ 5,135,657</u>	<u>\$ 2,003,016</u>	<u>\$ 3,132,641</u>

4. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$3,192 (Twelve months ended May 31, 2020 - \$15,473), which includes amounts payable for sales tax and payroll related taxes.

THE BELFRY THEATRE SOCIETY

Notes to Financial Statements (continued)

Thirteen months ended June 30, 2021

5. Deferred contributions:

Deferred contributions relate to externally restricted funding utilized for various capital projects. These contributions have been deferred and revenue is being recognized straight-line over the estimated useful life of the asset for which the funds were used.

	June 30, 2021	May 31, 2020
Opening balance, deferred contributions	\$ 1,056,022	\$ 1,080,222
Contributions for theatre renovation - public fundraising	45,513	13,817
Contributions for improved building accessibility - British Columbia Arts Council	75,000	-
Contributions for improved building accessibility - Canadian Heritage	99,963	-
Amortization recognized as revenue	(52,066)	(38,017)
	\$ 1,224,432	\$ 1,056,022

6. Internally restricted fund balances:

At June 1, 2011, the Society's board of directors had internally restricted resources in the amount of \$450,000. Of this amount \$150,000 was to be used towards artistic endeavours and \$300,000 was to be used for capital expenditures and for significant repair and maintenance expenditures. These internally restricted amounts are not available for other purposes without approval of the board of directors. There were no Board approved transfers during fiscal 2020 or 2021.

During fiscal 2021, by policy of the Society's board of directors, interest earned on the internally restricted funds totaling \$2,875 (Twelve months ended May 31, 2020 - \$10,618) was allocated by interfund transfer. The Artistic Fund received \$701 (Twelve months ended May 31, 2020 - \$3,146) and the Capital Fund received \$2,174 (Twelve months ended May 31, 2020 - \$7,472).

	Thirteen months ended June 30, 2021	Twelve months ended May 31, 2020
Artistic Fund		
Balance, beginning of year	\$ 124,362	\$ 121,216
Interfund transfer - interest	701	3,146
Balance, end of year	\$ 125,063	\$ 124,362

THE BELFRY THEATRE SOCIETY

Notes to Financial Statements (continued)

Thirteen months ended June 30, 2021

6. Internally restricted fund balances (continued):

	Thirteen months ended June 30, 2021	Twelve months ended May 31, 2020
Capital Fund		
Balance, beginning of year	\$ 318,797	\$ 311,325
Interfund transfer - interest	2,174	7,472
Balance, end of year	\$ 320,971	\$ 318,797

7. Public funding:

	June 30, 2021	May 31, 2020
Canada Council for the Arts	\$ 565,700	\$ 400,000
Canadian Heritage Arts Presentation Fund	27,500	27,500
CRD Arts Development	220,000	220,000
BC Arts Council - Operating	200,000	204,000
BC Government Community Gaming Grant	90,000	90,000
Government of Canada - CEWS	595,920	132,622
Government of Canada - Federal Wage Subsidy	2,975	21,157
BC Arts Council - COVID-19 Emergency Fund	-	10,000
Government of Canada - CEBA grant portion	20,000	-
	\$ 1,722,095	\$ 1,105,279

THE BELFRY THEATRE SOCIETY

Notes to Financial Statements (continued)

Thirteen months ended June 30, 2021

8. Private fundraising:

	June 30, 2021	May 31, 2020
Sponsorships - in kind	\$ 86,369	\$ 207,170
Individual donations - cash	213,996	174,728
Events	13,266	118,021
Sponsorships - cash	37,700	96,000
Foundations	21,044	46,717
Individual donations - in kind	18,239	26,232
Distributions from Belfry Endowment Fund (note 9)	-	9,694
Corporate donations	20,000	20,000
	\$ 410,614	\$ 698,562

9. Belfry Endowment Fund:

The Belfry Endowment Fund was established during the 2006 fiscal year. The fund is held in perpetuity and administered by the Victoria Foundation, and was established with funds from the Belfry Theatre Society and other organizations. Earnings received from the fund in 2021 were \$nil (Twelve months ended May 31, 2020 - \$9,694), as determined by the Victoria Foundation. When received, earnings are included in private fundraising presented on the statement of operations. The market value of investments held in the Belfry Endowment Fund at June 30, 2021 was \$337,379 (Twelve months ended May 31, 2020 - \$236,518) and is not recorded in the financial statements.

10. Financial risks and concentration of risk:

(a) Credit risk:

Credit risk refers to the risk that a third party may default on its contractual obligations resulting in a financial loss. For cash and cash equivalents and accounts receivable, the Society's credit risk is limited to the carrying value on the balance sheet. The Society manages the risk associated with the concentration of credit risk through its policy of dealing with credit worthy financial institutions.

THE BELFRY THEATRE SOCIETY

Notes to Financial Statements (continued)

Thirteen months ended June 30, 2021

10. Financial risks and concentration of risk (continued):

(b) Liquidity risk:

Liquidity risk is the risk that the Society will be unable to fulfil its obligations on a timely basis or at a reasonable cost. The Society manages its liquidity risk by monitoring its operating requirements. The Society prepares budget and cash forecasts to ensure it has sufficient funds to fulfil its obligations.

There has been no change to the risk exposures from 2020.

11. Remuneration paid to employees, directors and contractors:

For the fiscal period ending June 30, 2021, the Society paid total remuneration of \$218,359 (Twelve months ended May 31, 2020 - \$214,625) to two employees, each of whom received total annual remuneration of \$75,000 or greater. No compensation was paid to directors.

12. COVID-19:

On March 11, 2020 the COVID-19 outbreak was declared a pandemic by the World Health Organization. During fiscal 2021, the Society embarked on a series of on-line programming to maintain connection with patrons. For fiscal 2022, the Society has planned a combination of on-line and live programming. The situation continues to present uncertainty over the Society's future cash flows, and may have a significant impact on the Society's future operations. Potential impact on the Society's operations could include future decreases in revenue and future increases in expenses, and impairments in the value of long-lived assets. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on the Society is not known at this time.